



Memorandum

To: **Honorable Mayor Seei and the Frisco City Council**
Thr: **George Purefoy**, City Manager
From: **Jason Gray**, Assistant to the City Manager
CC:
Date: 12/15/2000
Re: TXU Gas rate distribution rate case

Attached please find a proposed ordinance asking you to consider a rate change for TXU Gas Distribution. This is the ordinance that we were preparing during the last City Council meeting and on which you have already received some backup material.

The proposed Ordinance has been reviewed by the firm of the City Attorney.

Thank you for your consideration of this item. Steve Matthews, Area Representative for TXU and I are both available if you have any questions regarding this rate change.

AN ORDINANCE OF THE CITY OF FRISCO, TEXAS FINDING, AFTER REASONABLE NOTICE AND HEARING, THAT TXU GAS DISTRIBUTION RATES AND CHARGES WITHIN THE CITY SHOULD BE CHANGED; DETERMINING JUST AND REASONABLE RATES; ADOPTING WEATHER NORMALIZATION ADJUSTMENT; REJECTING PLANT INVESTMENT CLAUSE; APPROVING AN ADJUSTMENT FACTOR FOR CERTAIN FEES AND TAXES; PROVIDING FOR RECOVERY OF RATE CASE EXPENSES; PRESERVING REGULATORY RIGHTS OF THE CITY, ORDERING THAT THE COMPANY FILE TARIFFS REFLECTING APPROVED CHANGES IN RATES AND CHARGES; AND PROVIDING FOR A REPEAL OF CONFLICTING ORDINANCES.

WHEREAS, the City of Frisco, Texas ("Frisco"), has previously suspended the effective date of TXU Gas Distribution's ("Company") application to increase rates in Frisco in order to study the reasonableness of that application. A copy of Company's Statement of Intent is attached hereto as Exhibit "A" and incorporated herein for all purposes; and

WHEREAS, on December 19, 2000, Frisco considered the Company's application, a report from Frisco's consultants who were retained to evaluate the merits of the Company's application and a settlement agreement negotiated with Company by a Steering Committee of Cities on the Northeast Metro Distribution System; and

WHEREAS, Frisco finds that all legal notices, hearings, procedures, and publishing requirements for this Ordinance have been performed and completed on the manner to form set forth by law; and

WHEREAS, Frisco has determined that the Company's rates within Frisco should be changed and that the Company's application should be granted, in part, and denied, in part;

NOW, THEREFORW, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FRISCO, TEXAS THAT:

SECTION 1. FINDINGS INCORPORATED

The findings set forth above are incorporated in the body of this Ordinance as if fully set forth herein.

SECTION 2. UNREASONABLE RATES

The existing rates and charges of Company are unreasonable and shall be changed as hereinafter defined. The changed rates resulting from this Ordinance are determined to be just and reasonable rates.

SECTION 3. RATE CHANGE

The Company's rates in Frisco shall be set on the basis of \$4,739,743.00 increase in overall Northeast Metro Distribution System ("System") average revenues. That revenue deficiency shall be allocated in the following manner: a \$3,062,760.00 increase in System average residential revenues, and \$903, 735.00 increase in System average commercial revenues, and a \$783,248.00 increase in System average industrial and

transportation revenues. The increase in overall System average revenues also includes a \$432 increase in other revenue (associated with service charges) over test year levels. Pursuant to Texas Utilities Code Section 103.001 Frisco establishes rates and charges consistent with these allocations. To the extent that industrial and transportation customers have competitive options, the rates established by this Ordinance constitute "not to exceed" rates in recognition of the right of such customers to negotiate reasonable rates.

SECTION 4. RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL RATES

The residential, commercial, and industrial rates resulting from this Ordinance shall be adjusted upward or downward from a base per thousand cubic feet (Mcf) City Gate Rate set by the Railroad Commission of Texas by a Gas Cost Adjustment Factor or comparable mechanism authorized by the Railroad Commission of Texas. Industrial rates shall be adjusted in accordance with the contractual terms or tariffs as may be appropriate. The City Gate Rate shall be adjusted by a volume factor of 1.0177 to recognize lost and unaccounted gas on the System.

SECTION 5. WEATHER NORMALIZATION, PLANT INVESTMENT, MUNICIPAL FEES, AND STATE OF TEXAS

The Weather Normalization Clause proposed by the Company is adopted. The Plant Investment Adjustment Clause proposed by Company is unreasonable, and is specifically rejected. The Company is authorized to adjust monthly bills to reflect changes in municipal franchise fees, street and alley assessment and state gross receipts taxes imposed by Sections 182.025 and 182.024 of the Texas Tax Code occurring after the effective date of this Ordinance.

SECTION 6. MISCELLANEOUS CHARGES

Existing monthly customer charges, miscellaneous service charges and line extension charges as reflected in Exhibit "B" are reasonable and shall be continued.

SECTION 7. SCHOOL DISTRICTS

School Districts will continue to be billed in the rate classification they were in during the test year.

SECTION 8. TARIFFS AND SCHEDULES

Company shall file with Frisco, no more than twenty (20) days after the effective date of the changed rates ordered herein, revised Tariffs and Schedules, together with rate design workpapers and supporting data as requested, setting forth the rates, tariffs and charges based upon the increases and charges prescribed herein. Such Tariffs and Schedules may be modified or amended by the City Council to comply with the provisions of this Ordinance.

SECTION 9. COUNSEL AND CONSULTANT FEES AND EXPENDITURES

The fees and expenses associated with Frisco retaining counsel and consultants to investigate the Company's application are reasonable and are to be paid by Company and recovered from ratepayers through a System-wide surcharge spread over a six (6) month period. The Company shall provide a monthly accounting to the City showing, by months, the amount recovered through the surcharge.

SECTION 10. EFFECTIVE DATE OF RATE CHANGES

The rate charges ordered herein become effective for billing on December 9, 2000.

SECTION 11. SERVICE OF ORDINANCE

This Ordinance shall be served on Company by U.S. Mail to the Company's authorized representative, Autrey Warren, Regulatory Financial Manager, TXU Business Services, 1601 Bryan Street, Dallas, Texas 75201-3411 and an authorized representative shall execute this document and return an original to the City Secretary at 6891 Main Street, Frisco, Texas 75034.

SECTION 12. FRISCO MAINTAINS RIGHT TO REGULATE

Nothing contained in this Ordinance shall be construed now or hereafter in limiting or modifying, in any manner, the right and power of the Frisco under law to regulate the rates and charges of Company.

SECTION 13. SAVINGS AND REPEALINGS CLAUSE

All provisions of any ordinance in conflict with this Ordinance are hereby repealed to the extent they are in conflict; but such repeal shall not abate any pending prosecution for violation of the repealed ordinance, nor shall the repeal prevent a prosecution from being commenced for any violation if occurring prior to the repeal of the ordinance. Any remaining portions of said ordinance shall remain in full force and effect.

SECTION 14. SEVERABILITY

Should any section, subsection, sentence, clause, or phrase of this Ordinance be declared unconstitutional or invalid by a court of competent jurisdiction, it is expressly provided that any and all remaining portions of the Ordinance shall remain in full force and effect. Frisco hereby declares that it would have passed this Ordinance, and each section, subsection, sentence, clause, or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared unconstitutional or invalid.

SECTION 15. EFFECTIVE DATE

This Ordinance shall become effective from after its passage.

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PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF FRISCO,
TEXAS ON THIS 19TH DAY OF DECEMBER, 2000.

IN WITNESS WHEREOF, both parties acknowledge and agree to be bound by the terms
and conditions of the foregoing Ordinance.

CITY OF FRISCO, TEXAS

By: _____
KATHLEEN A. SEEI, Mayor

Date: _____

TXU GAS DISTRIBUTION

By: _____

Date: _____

Its: _____

APPROVED AS TO FORM:

ATTESTED TO AND CORRECTLY
RECORDED BY:

**ABERNATHY, ROEDER, BOYD, &
JOPLIN, PC**
City Attorneys

CITY SECRETARY

DATE OF PUBLICATION: _____, Frisco Enterprise.

EXHIBIT "B"

The following service charges shall be applicable:

- | | |
|-----------------------------------|---------|
| 1. Connection Charge | |
| a. Business Hours | \$35.00 |
| b. After Hours | \$52.50 |
| 2. Read for Change Charge | \$12.00 |
| 3. Returned Check Charge | \$16.25 |
| 4. Delinquent Notification Charge | \$4.75 |

Main Line Extension Rate

The charge for extending mains beyond the free limit established by Franchise for residential, commercial, and industrial customers shall be based on the actual cost per foot of the extension

- | | |
|------------------|---------|
| Customer charges | |
| a. Residential | \$7.00 |
| b. Commercial | \$12.00 |